STAT

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM

UNCLASSIFIED		CONFIDENTIAL		SECRET

OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS	DATE	INITIALS
1	Deputy Director for Support 7D-18 Headquarters		
2			
3			
4			
5			
6			

	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

Remarks:

I believe it best to restrict the information in these staff papers to you and your staff until implementation dates are firm.

We are already receiving queries about possible extension of retirement dates based on the possibility that:

a. Individuals under Civil Service will be authorized to ship HHE at retirement.

b. Insurance benefits for retirees are to be improved.

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.	DATE
Director of Personnel, 5E-56 HQ	6 AUG 1970

STATINTL

STAT

UNCLASSIFIED		CONFIDENTIAL		SECRET

FORM NO. 1-67 237 Use previous editions (40)

DD/S 70-3300

FILE Personnel 11-1

AUG 1970

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Retiree Insurance Coverage

REFERENCE : My Memo, Same Subject, dated 3 June 1970

1. This memorandum is for information only.

2. In the referent memorandum we set forth two proposals which would significantly improve the UBLIC insurance coverage for retirees. Subsequently, you requested additional information concerning the relationship between the proposals and the UBLIC reserve. You also asked whether it might be possible to develop a group program for retirees only that would stand on its own without any relationship to the UBLIC reserve. Let me first respond to this latter request.

3. We asked Mutual of Omaha, our underwriter, to provide costs for a group term program for retirees alone with premium rates determined by the program's risk and experience. Mutual has responded by saying that they know of no existing plan of this kind and that to develop such a program would be "an impossibility" because of the risks involved. Consequently, Mutual would not supply costs for a program of this type. Mutual advised, however, that each retiree who is eligible for our free insurance has the right to convert the difference between that amount and the UBLIC coverage he was carrying at the time of retirement. For example, if a man is currently insured for $36,000 and is eligible on retirement for $5,000 free insurance, he has the right to convert $31,000 to a plan other than term life insurance. Admittedly the cost of such non-term insurance would be high and almost prohibitive for most retirees. Nonetheless, the opportunity to carry additional life insurance is there. The conversion right is especially important to retirees who have some serious medical problem since the conversion does not require a physical examination or other evidence of insurability. On this point, therefore, there seems to be no basis for pursuing the idea of a separate group contract for retirees.

4. On the relationship between the proposals described in the referent memorandum and the UBLIC reserve, let me supply the following clarifying information.

a. In the referent memorandum we noted that the UBLIC reserve has to be increased to $1,900,000 in order to support the free retirement coverage now in effect. It was the UBLIC reserve that initially permitted us to develop the free retirement coverage and it is this reserve that will be used to pay any adverse experience which could be directly attributable to retirees carrying free insurance. For example, our annual premium for UBLIC coverage is approximately $600,000. From this amount is deducted death claims which occur during the year. Also deducted is approximately $40,000 which, in effect, is Mutual's profit, although it includes administrative expenses and taxes. Assume for purposes of this example that we have a bad year and death claims amount to $630,000, of which $420,000 is attributable to employees and their dependents and $210,000 is for the death claims for retirees with free insurance. In such a case, death claims plus Mutual's profit would be in excess of the regular premium payment by $70,000. Our contract provision on the free retirement coverage requires that the UBLIC reserve absorb the cost of free retirement death claims which caused the total claims experience of the year to exceed premiums for the year. In my example, therefore, the UBLIC reserve would have to pay approximately $70,000. At the present time, 131 retirees are carrying $362,000 free insurance. Theoretically, our reserve must be prepared to absorb all of this coverage.

5. The free retirement coverage is made available to eligible employees who retire at or after age 60. Eligible employees who retire earlier can continue up to $5,000 of insurance, paying the same rate as employees. At age 60, their payments cease and they receive whatever free coverage they are entitled to, up to $5,000. Death claims for retirees who pay premium (those under age 60) are also charged to the experience for the given year but are treated like employee claims. The UBLIC reserve will not be used to absorb the cost for this group of retirees in the event of a bad year but since these claims will reduce the size of any return of premium, the claims experience will delay the accumulation of the $1,900,000 needed to fund the free retirement coverage. The two proposals made in the referent memorandum will affect the reserve in the same way, i. e., claims occurring will be charged to the experience for the year,

which will in turn reduce the return of premium and, hence, delay the accumulation of the $1,900,000 needed to fund the present free retirement coverage. It is for this reason -- the effect of claims experience on return of premium -- that we feel it essential to first reach the reserve level. As noted in the referent memorandum, once we can be assured that the reserve has reached the safe level we can then confidently institute the two proposals described in the referent memorandum. Then, despite any adverse experience that might flow from the proposed coverage which would in turn result in a diminished return of premium, the established free retirement program remains unimpaired -- we will have already reached the $1,900,000 which the underwriter feels is needed.

6. I am advised that the return of premium for the contract year ending 31 July 1970 will be approximately $236,000. When received from the underwriter, this year's return will raise the UBLIC reserve to $1,793,000 -- only $107,000 less than the $1,900,000 needed to support the free retirement coverage. Within six months, or by the end of January 1971, we will assess claims experience during that period and should be able to estimate the return of premium for the contract year ending 31 July 1971. Should the experience for the next six months be comparable to this past year's, we should be able to implement the first of the two proposals set forth in the referent memorandum in February 1971.

STAT

Robert S. Wattles
Director of Personnel

STAT

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

3 JUN 1970

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Retiree Insurance Coverage

STAT

1. This memorandum is for information only.

2. You will recall sending me a copy of a letter from [redacted] in which he suggested improvements in the amount of UBLIC insurance for retirees. Believing that George's suggestion had merit, we initiated a review with our underwriter, Mutual of Omaha, on several proposals. The underwriter believes, and now we do too, that only two can be seriously considered without threatening the solvency of the existing UBLIC retiree program. These proposals are:

a. That retirees between the ages of 50 and 60 be allowed to keep the full level of their UBLIC insurance in force at the time of retirement at the same preferred premium rate as active members provided they have been covered under the program for 10 years immediately prior to their retirement. (At the present time retirees between the ages of 50 and 60 can continue only $5,000 at the same rate as active members. At age 60, they start receiving the free coverage, up to $5,000.)

b. That retirees between the ages of 60 and 65 be allowed to continue the same level of insurance in force at the time of retirement provided they have been covered under the program for 10 years. Under this proposal a higher premium will be necessary, between $1 to $2 a thousand per month. The exact amount of the new premium rate for this class of coverage will have to be fixed at a later date.

3. The addition of these two features to the present UBLIC program would insure that retirees can provide for family protection, at rates far better than available on the outside market, to age 65 - an age when normal insurance needs have subsided for the majority of persons.

4. The only reservation we have is on implementation. On this I must supply some background to justify my view that the new retiree features described above should be delayed until the summer of 1971.

a. As you know, eligible retirees are provided up to $5,000 free insurance to age 70 and up to $2,500 thereafter for the rest of their lives. This significant addition to the UBLIC program was made possible only through careful management and accumulation of the UBLIC reserve. Actuarial advice from the underwriter indicated that $1,208,000 had to be maintained in the UBLIC reserve to fund anticipated retiree coverage for a period of 20 years.

b. At the present time the reserve amounts to $1,508,500, which is more than the amount needed to fund the present retiree program. To consume the excess of almost $300,000 to the advantage of policyholders, we submitted a proposal to the GEHA Board of Directors earlier this year to increase insurance benefits both for employees and their dependents. Improvements, as shown on the attachment, were authorized by the Board and were made effective 11 May 1970. (An appropriate Agency announcement is in the process of coordination.)

c. In view of the higher levels of insurance coverage for employees and because retirees will reach the maximum of $5,000 sooner than under the earlier levels, the underwriter has asked that the reserve supporting the free retirement coverage be increased to $1,900,000. On the basis of present estimates, it is possible that we will reach this new reserve requirement within the next 12 to 18 months. Reaching that level must be our primary responsibility. To increase prematurely the level of insurance coverage that retirees can carry into retirement along the lines described in paragraph 2 above would jeopardize our accumulating the reserve needed to fund the existing retirement program. Hence, my view is that no change should be made until the required reserve is reached or can reasonably be assured.

6. We propose to watch the level of our reserve very carefully. When we can project that investments earned on the reserve and anticipated return of premium permit a change, we will institute the new features, but in two stages.

We will first announce the improvement noted in paragraph 2a above and then carefully assess the experience, i.e., the drain on anticipated return of premium that will result from deaths occurring among retirees carrying the higher levels of coverage. If after a reasonable period of time, perhaps 6 to 12 months, we feel secure in announcing the second part of the new retiree benefits described in paragraph 2b above, we will do so.

7. The proposed new retirement benefits have not yet been discussed with the GEHA Board of Directors. I plan to do so at the next Board meeting.

/s/ Robert S. Wattles

Robert S. Wattles
Director of Personnel

Att

Distribution:
0 & 1 - Addressee
1 - D/Pers
1 - DD/Pers/SP
1 - C/BSD

STAT

OP/D/SP/[redacted]slr (1 June 1970)

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

UBLIC LIFE INSURANCE PROGRAM - 11 MAY 1970

CLASS	EMPLOYEE'S LIFE INSURANCE			EMPLOYEE'S ACCIDENTAL DEATH BENEFIT (no change)	DEPENDENT'S LIFE INSURANCE* Effective 11 May 1970
	Previous Coverage	20% Increase	New Coverage Eff. 11 May 70		
I	$ 3,000	$ 600	$ 3,600	$3,000	$1,000
II	6,000	1,200	7,200	6,000	1,250
III	9,000	1,800	10,800	9,000	1,500
IV	12,000	2,400	14,400	12,000	2,000
V	15,000	3,000	18,000	15,000	2,250
VI	20,000	4,000	24,000	20,000	2,500
VII	25,000	5,000	30,000	25,000	2,750
VIII	30,000	6,000	36,000	30,000	3,000

*Amounts shown are applicable to the insured employee's spouse and unmarried children from age 5 up to age 21. Lesser amounts are applicable to children who are between the ages of 14 days and 5 years.

DD/S 70-2986

DD/S REGISTRY
FILE Personnel

July 22, 1970

Dear George,

You may recall that you left with me a memorandum offering a few suggestions on changes we should make in services for retirees. I'm sorry it has taken so long for me to get something done and respond to you, but I'm sure you can remember that major changes affecting the insurance underwriters, tax laws, and the Federal Credit Union rules are not done quickly. However, we have concluded some major changes which I will summarize for you.

1. Insurance

a. We have approval that retirees between the ages of 50 and 60 be allowed to keep the full level of their UBLIC insurance in force at the time of retirement at the same preferred premium rate as active members, provided they have been covered under the program for ten years immediately prior to their retirement.

b. Retirees between the ages of 60 and 65 will be allowed to continue the same level of insurance in force at the time of retirement, provided they have been covered under the program for ten years. A higher premium will be necessary, somewhere between $1 to $2 a thousand per month.

c. The only problem is timing of implementation because these increased benefits result in the requirement for a sizeable increase in the reserve fund which must be maintained. It is expected that we will reach this required reserve level within 12 months so we can expect to implement the increased benefits by mid-1971.

2. Federal Tax Withholding

With respect to withholding from terminal leave payments, the IRS position is still cloudy as they have not formulated any position or drafted regulations on this subject. However, the IRS representative sees no objection to basing the amount withheld from final salary on certification and estimate by the employee of his total expected income and tax liability for the year. Therefore we now adjust the final withholding even though such procedure is not currently provided in IRS regulations.

3. Credit Union

Policy recently approved by the Credit Union permits retirees:

a. To participate fully in the purchase of shares and in the distribution of income.

b. To borrow from the Credit Union but only to the extent that the loan request is fully secured by shares on deposit.

c. Loans to be covered by insurance with the current provisions of the loan insurance policy; i. e., up to $5,000 for deaths occurring at or prior to age 65.

Retiree members whose unpledged share balances are less than $100 will not be permitted to remain members beyond the date of the next dividend declaration following their retirement.

You may take some satisfaction in knowing that your suggestions sparked the action which resulted in these improvements.

I know you are enjoying your retirement and I am envious of your freedom to enjoy golf and any other activities whenever you desire. Again, thanks for your suggestions which have widely extended our retiree benefits.

Sincerely,

Bob

R. L. Bannerman

STAT

EO-DD/S:WEB:es (21 July 70)
Distribution:
Orig - Adse
~~1~~ - DD/S Subject w/background
1 - DD/S Chrono

STAT

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

 17 July 70)

Dear George:

You may recall that you left with me a memorandum offering a few suggestions on changes we should make in services for retirees. I'm sorry it has taken so long for me to get something done and respond to you, but I'm sure you can remember that major changes affecting the insurance underwriters, tax laws, and the Federal Credit Union rules are not done quickly. However, we have concluded some major changes which I will summarize for you.

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b. Retirees between the ages of 60 and 65 will be allowed to continue the same level of insurance in force at the time of retirement, provided they have been covered under the program for ten years. A higher premium will be necessary, somewhere between $1 to $2 a thousand per month.

c. The only problem is timing of implementation because these increased benefits result in the requirement for a sizeable increase in the reserve fund which must be maintained. It is expected that we will reach this required reserve level within 12 months so we can expect to implement the increased benefits by mid-1971.

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Retiree members whose unpledged share balances are less than $100 will not be permitted to remain members beyond the date of the next dividend declaration following their retirement.

You may take some satisfaction in knowing that your suggestions sparked the action which resulted in these improvements.

I ~~hope~~ know you are enjoying your retirement ~~as I'm sure you are~~ and I am envious

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

of your freedom to enjoy golf and any other activities whenever you desire. Again thanks for your suggestions which have widely extended our retiree benefits.
~~Drop in and see me when you are in town.~~

Sincerely,

R. L. Bannerman

STAT

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

ADMINISTRATIVE -- INTERNAL USE ONLY

DD/S 70-2895

14 JUL 1970

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Retiree Membership in the Credit Union

REFERENCE : Memo for DD/S from [redacted] dated 30 January 1970

STAT

1. This memorandum is for information only.

2. In the referent memorandum [redacted] made three suggestions on matters affecting retirees. Two of these, UBLIC insurance and the Credit Union, were matters on which the Office of Personnel assumed action responsibility. In our memorandum of 3 June 1970 we set forth two specific proposals for the continuation of UBLIC life insurance upon retirement. I wish now to report action approved by the Credit Union Board of Directors on 8 July 1970. (I should add that the matter of permitting a retiree to continue his membership in the Credit Union was also raised at the Credit Union annual meeting earlier this year and by several employees in direct communications to the President of the Credit Union.)

STAT

3. Under the new policy approved by the Board of Directors retiring members of the Northwest Federal Credit Union will be permitted to retain their membership as provided and limited by the following:

a. They will be permitted to participate fully in the purchase of shares and will participate with the full membership in the distribution of income.

b. Retiree members will be permitted to borrow from the Credit Union, but only to the extent that the loan request is fully secured by shares on deposit.

c. As in the case of other Credit Union members, loans made to retiree members will be covered by insurance within the current provisions of the Credit Union's loan insurance policy, i.e., up to $5,000 for deaths occurring at or prior to age 65.

ADMINISTRATIVE -- INTERNAL USE ONLY

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

d. Retiree members whose unpledged share balances are less than $100 will not be permitted to remain members beyond the date of the next dividend declaration following their retirement.

4. This new policy will be brought to the attention of all retiring Agency employees and it will also be sent directly to each member of the Credit Union when the next quarterly statements are released, some time in August.

Robert S. Wattles
Director of Personnel

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

SECRET

8 June 1970

NOTE FOR: Mr. Banne[redacted], 25X1

Proposal - for the future - regarding increased insurance for retirees.

Per 3c., an increase in reserve is necessary: estimate it will be reached in summer '71.

I've verified with [redacted] that there is no retroactivity included in the figures given. However, retroactivity consideration would be a policy decision and the actual reserve situation at the time would be an important factor. 25X1

[redacted] 25X1

17 Jun 70

Jack: I asked Walter to have the Board consider letting retirees continue full insurance up to age 65 at an increased premium which will offset the need for immediate supplement to reserve. Please check this in about a month. [redacted] 25X1

SECRET

STAT

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

70-2294

1 JUN 1970

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Retiree Insurance Coverage

1. This memorandum is for information only.

2. You will recall sending me a copy of a letter from [redacted] STAT in which he suggested improvements in the amount of UBLIC insurance for retirees. Believing that George's suggestion had merit, we initiated a review with our underwriter, Mutual of Omaha, on several proposals. The underwriter believes, and now we do too, that only two can be seriously considered without threatening the solvency of the existing UBLIC retiree program. These proposals are:

a. That retirees between the ages of 50 and 60 be allowed to keep the full level of their UBLIC insurance in force at the time of retirement at the same preferred premium rate as active members provided they have been covered under the program for 10 years immediately prior to their retirement. (At the present time retirees between the ages of 50 and 60 can continue only $5,000 at the same rate as active members. At age 60, they start receiving the free coverage, up to $5,000.)

b. That retirees between the ages of 60 and 65 be allowed to continue the same level of insurance in force at the time of retirement provided they have been covered under the program for 10 years. Under this proposal a higher premium will be necessary, between $1 to $2 a thousand per month. The exact amount of the new premium rate for this class of coverage will have to be fixed at a later date.

3. The addition of these two features to the present UBLIC program would insure that retirees can provide for family protection, at rates far better than available on the outside market, to age 65 - an age when normal insurance needs have subsided for the majority of persons.

4. The only reservation we have is on implementation. On this I must supply some background to justify my view that the new retiree features described above should be delayed until the summer of 1971.

a. As you know, eligible retirees are provided up to $5,000 free insurance to age 70 and up to $2,500 thereafter for the rest of their lives. This significant addition to the UBLIC program was made possible only through careful management and accumulation of the UBLIC reserve. Actuarial advice from the underwriter indicated that $1,208,000 had to be maintained in the UBLIC reserve to fund anticipated retiree coverage for a period of 20 years.

b. At the present time the reserve amounts to $1,508,500, which is more than the amount needed to fund the present retiree program. To consume the excess of almost $300,000 to the advantage of policyholders, we submitted a proposal to the GEHA Board of Directors earlier this year to increase insurance benefits both for employees and their dependents. Improvements, as shown on the attachment, were authorized by the Board and were made effective 11 May 1970. (An appropriate Agency announcement is in the process of coordination.)

c. In view of the higher levels of insurance coverage for employees and because retirees will reach the maximum of $5,000 sooner than under the earlier levels, the underwriter has asked that the reserve supporting the free retirement coverage be increased to $1,900,000. On the basis of present estimates, it is possible that we will reach this new reserve requirement within the next 12 to 18 months. Reaching that level must be our primary responsibility. To increase prematurely the level of insurance coverage that retirees can carry into retirement along the lines described in paragraph 2 above would jeopardize our accumulating the reserve needed to fund the existing retirement program. Hence, my view is that no change should be made until the required reserve is reached or can reasonably be assured.

6. We propose to watch the level of our reserve very carefully. When we can project that investments earned on the reserve and anticipated return of premium permit a change, we will institute the new features, but in two stages.

We will first announce the improvement noted in paragraph 2a above and then carefully assess the experience, i.e., the drain on anticipated return of premium that will result from deaths occurring among retirees carrying the higher levels of coverage. If after a reasonable period of time, perhaps 6 to 12 months, we feel secure in announcing the second part of the new retiree benefits described in paragraph 2b above, we will do so.

7. The proposed new retirement benefits have not yet been discussed with the GEHA Board of Directors. I plan to do so at the next Board meeting.

STAT

Robert S. Wattles
Director of Personnel

Att

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

UBLIC LIFE INSURANCE PROGRAM - 11 MAY 1970

CLASS	EMPLOYEE'S LIFE INSURANCE			EMPLOYEE'S ACCIDENTAL DEATH BENEFIT (no change)	DEPENDENT'S LIFE INSURANCE* Effective 11 May 1970
	Previous Coverage	20% Increase	New Coverage Eff. 11 May 70		
I	$ 3,000	$ 600	$ 3,600	$3,000	$1,000
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IV	12,000	2,400	14,400	12,000	2,000
V	15,000	3,000	18,000	15,000	2,250
VI	20,000	4,000	24,000	20,000	2,500
VII	25,000	5,000	30,000	25,000	2,750
VIII	30,000	6,000	36,000	30,000	3,000

*Amounts shown are applicable to the insured employee's spouse and unmarried children from age 5 up to age 21. Lesser amounts are applicable to children who are between the ages of 14 days and 5 years.

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM

UNCLASSIFIED		CONFIDENTIAL		SECRET

OFFICIAL ROUTING SLIP

STAT

TO	NAME AND ADDRESS	DATE	INITIALS
1	[redacted]		
2	7D24 Hdqs		
3			
4	3/13 Mr. Bannerman and Mr. Coffey		
5	briefed by me. -WWS		
6			

	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

Remarks:

attached per our telecon [redacted] -
As I indicated, this was in
error. We do not w/h from
lump sum on basis of annual
salary - Rather w/H is flat 20%
per IRS regulations. However,
if [illegible] we can go further and will
[illegible] proposal.

STAT

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.	DATE
Lee	2/26

UNCLASSIFIED		CONFIDENTIAL		SECRET

FORM NO. 237 Use previous editions
1-67

GPO : 1968 O - 297-542 (40)

SECRET

DD/S 70-0837

20 February 1970

FILE Accounting 9

MEMORANDUM FOR THE RECORD

SUBJECT: Federal Tax Withholding

1. Pursuant to prior discussions with him, Mr. [redacted] OGC, advised me today that he had made informal contact with IRS to explore the effect of recently enacted tax legislation on requirements for withholding Federal taxes from terminal leave payments and for short-term summer employees. 25X1

25X1 2. Mr. [redacted] stated that IRS has not yet formulated any position or drafted regulations in the matter. However, it appears that we may not have to withhold taxes from summer employees in those cases where projected income will not result in tax liability. With respect to withholding from terminal leave payments, the position is still cloudy. The IRS representative indicated, however, that as a matter of practice they do not monitor withholding rates very closely. Further, they could really see no objection to basing the amount withheld from final salary on certification and estimate by the employee of his total expected income and tax liability for the year. As long as any tax has been or is withheld, the employee will be induced to file a return and thus be subjected to formal determination of his actual tax liability.

25X1 3. Mr. [redacted] indicated he does not plan to prepare a memorandum on this subject until IRS formalizes its regulations. In the mean-therefore time, I indicated we will proceed to endeavor to develop procedures which will allow adjustment of the final withholding along the lines suggested above even though such procedure is not currently recognized by IRS regulations.

[redacted] 25X1

L. E. BUSH
Director of Finance

STAT

Next 1 Page(s) In Document Exempt

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

70-0939

? MAR 1970

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Retiree Insurance Coverage

Bob:

1. You will recall sending me a copy of a letter from

STAT [redacted] and asking for my reaction to George's suggestion that something be done to permit a retiree to carry his UBLIC insurance at the same level of coverage he had when he retired.

2. My initial reaction to George's suggestion was favorable and we have actually submitted a half dozen proprosals to our underwriter, Mutual of Omaha. A response, with costs, is expected momentarily. Until that material is received, we cannot evaluate George's suggestion.

3. I will send you a more detailed statement once we have received and studied information received from the underwriter.

[redacted] STAT

Robert S. Wattles
Director of Personnel

Approved For Release 2002/11/20 : CIA-RDP84-00780R003600020002-1

SECRET

DD/S REGISTRY Personnel 11-1

DD/S 70-0571

10 FEB 1970

MEMORANDUM FOR: Mr. Wattles

Dear Bob:

STAT

Attached is a memorandum dated 30 January 1970 from [redacted] which he gave to me at the time of his retirement departure. I ask if you will consider his suggestion in paragraph 1 about the continuation of insurance to age 65. I am quite sure that this has been considered in the past but it might be well to take a current look at this provision. Please let me have your reaction.

I have asked Les Bush to comment on paragraph 2.

SIGNED R. L. Bannerman

R. L. Bannerman

Att

DD/S:RLB:llc (10 February 1970)
Distribution:
O - Addressee w/xcy att
1 - DD/S Subject w/orig. att
1 - DD/S Chrono w/o att

GROUP 1

DD/S 70-0570

10 FEB 1970

MEMORANDUM FOR: Mr. Bush

Dear Les:

25X1 Attached is a copy of a memorandum dated 30 January 1970 which [redacted] gave me just before he departed on retirement. Please note paragraph 2 which refers to lump-sum leave payments and the fact that deductions for Federal and State withholding is taken at the rate of the individual's full salary at the time of his retirement. On the face of it this does not seem quite right and certainly denies to the employee use of a considerable portion of this money until he can recover it from Internal Revenue and the State authorities about 16 months later. Please consider this and report back what can be done in this matter to put the deduction rate on the factual basis.

SIGNED R. L. Bannerman

R. L. Bannerman

Att

DD/S:RLB:llc (10 February 1970)
Distribution:
O - Addresee w/xcy of att
1 - DD/S Subject w/orig. att
1 - DD/S Chrono w/o att

30 January 1970

MEMORANDUM FOR: Deputy Director for Support

Bob:

My outprocessing was well done - professionally and painlessly.

I have a few suggestions on policy:

If the Agency expects employees to retire early (and I include 60-year olders in early), then something should be done about the insurance program. I'll mention UBLIC specifically. When one retires between age 50 and 60, his insurance drops from $30,000 to $5,000; at age 60, it drops to $3,950; then it drops to about $1,800 at age 70. (I'm using my figures, but the same ratio of reduction prevails in practically all cases.) Now, if one continues working for the Agency, the insurance continues until 65 years. If they can insure someone until age 65 if working, why not if retired? Of course, the premiums would continue. This becomes more important the younger one retires. Don't let anyone tell you that the rates were set on the accelerated retirement program, because they were in effect before the 60-year retirement age was made policy, and they know nothing about the forthcoming program. Joe Jones is getting rich from the Agency and shouldn't be permitted to get richer at the expense of widows of early retirees. The whole insurance program should be looked at with the above policy in mind.

The other item which deserves study is the horrible tax withholding on lump-sum leave payments. I'm not pleading my case (fortunately, I can survive), but I believe you could and should bring your influence to bear on the problem. Finance (properly and legally so) deducts at a standard rate, e.g., if a GS-18 has a $6,000 lump-sum leave payment, Finance deducts about $1,500 Federal and State tax. This is at the $34,000 rate, whereas I feel the deduction should be made at the $6,000 rate. Why should Uncle Sam have $1,200 to $1,400 of my money for 14 months? (I get a refund the next tax year but, in the meantime, lose the use of the money and pay eight and one-half percent to some bank or lending institution if money is borrowed. My thought is to be able to file an amended W-4 showing the new annual income (in the above example, $6,000 instead of $34,000). Uncle expects one to file and pay on an estimated basis if income is larger than the standard deductions, so why shouldn't this work in reverse? I discussed this two or three times with [redacted] but I had a Comptroller General Decision or an Internal Revenue Decision cited to me. Things change - or they should.

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Last but not lease is the credit union, and it will probably be true of the Take Stock Plan. Why can't a retiree continue in the credit union for ease of administration, low interest rates, and good security. An employee deals with the credit union for 20 to 30 years, then when he retires he's required to go elsewhere to establish new credit references, etc. You should see the form that a Tampa bank requested me to fill out for mortgage information; it puts our PHS in the shade. Since it is possible for a CIAR member to allot to the credit union, it would appear that such a loan would be well covered. The same goes for the Take Stock Plan which I must admit I know little about. However, if it is designed to augment one's annuity, then it should be more important to be permitted to continue membership when one retires.

Bob, I'm sure you realize that the above is intended as constructive criticism, and I'd prefer that you toss these out as your ideas (if you agree with them) and not attribute them to anyone.

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